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EXDIS
 POLTO 32

E.O. 12356: DECL: OADR
 TAGS: PREL, OVIP (ARMACOST, MICHAEL H), US, CH
 SUBJECT: UNDER SECRETARY ARMACOST'S MEETING WITH
 - VICE PREMIER YAO YILIN

1. CONFIDENTIAL - ENTIRE TEXT.
2. SUMMARY:
 - GIVEN VICE PREMIER YAO YILIN'S ECONOMIC RESPONSIBILITIES, UNDER SECRETARY ARMACOST'S ONE-HOUR MEETING MARCH 18 WITH HIM WAS DEVOTED LARGELY TO CHINA'S AGRICULTURAL REFORMS AND INVESTMENT POLICY. THEY ALSO DISCUSSED RELATIONS WITH THE SOVIET UNION. YAO CITED FIVE MAIN FACTORS AFFECTING RECENT AGRICULTURAL DEVELOPMENTS: (A) THE ADOPTION OF THE HOUSEHOLD RESPONSIBILITY SYSTEM; (B) ACHIEVEMENT OF SELF-SUFFICIENCY IN GRAIN PRODUCTION, ALTHOUGH HE PREDICTED THIS SELF-SUFFICIENCY WILL BE ONLY TEMPORARY; (C) THE READJUSTMENT NOW TAKING PLACE IN AGRICULTURE; (D) THE SURPLUS AGRICULTURAL WORK FORCE, WHICH IS BEING CHANNELED TO NONAGRICULTURAL PURSUITS SUCH AS MINING; AND (E) THE STILL-LOW LEVELS OF MATERIAL WELL-BEING OF THE MAJORITY OF AGRICULTURAL HOUSEHOLDS. ON CHINA'S INVESTMENT POLICY, YAO SAID THAT THE U.S. HAS AN IMPORTANT ROLE TO PLAY; CHINA PLANS TO REWARD COMPANIES TRANSFERRING HIGH LEVELS OF TECHNOLOGY WITH INCREASED ACCESS TO THE DOMESTIC MARKET. THE ONLY AGRICULTURAL AREA WHERE CHINA AND THE U.S. MIGHT BE COMPETITORS OVER THE LONG TERM WAS PROBABLY COTTON.

3. TURNING TO SINO-SOVIET RELATIONS, YAO SAID THERE HAD BEEN MAJOR PROGRESS IN TRADE AND ECONOMIC

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RELATIONS OVER THE PAST YEAR. THIS WOULD CONTINUE. HE CONFIRMED HE WOULD PROBABLY GO TO MOSCOW IN THE SUMMER TO SIGN A LONG-TERM TRADE AGREEMENT IF THE TWO SIDES REACHED AGREEMENT ON THE REMAINING ISSUES. AS FOR POLITICAL RELATIONS, CHINA DOES NOT SEE SIGNS OF VISIBLE PROGRESS ON THE THREE OBSTACLES. THERE IS NO PLAN TO ESTABLISH PARTY-TO-PARTY RELATIONS. END SUMMARY.

4. UNDER SECRETARY ARMACOST MET WITH VICE PREMIER YAO YILIN FOR OVER AN HOUR ON MARCH 18. YAO YILIN HAS MAJOR ECONOMIC RESPONSIBILITIES. AFTER AN INITIAL EXCHANGE OF PLEASANTRIES AND A PHOTO OPPORTUNITY FOR FOREIGN JOURNALISTS, UNDER SECRETARY ARMACOST NOTED THAT THE WORLD HAD ADMIRERED THE INCREASES IN PRODUCTION IN CHINA'S AGRICULTURAL SECTOR. HE SAID HE WOULD BE VERY INTERESTED TO HAVE YAO TELL HIM ABOUT THE POLICY'S THRUST AND FUTURE DIRECTIONS.

5. YAO REPLIED WITH AN EXTENDED BRIEFING. THE MAIN CHANGES IN AGRICULTURAL POLICY HAVE BEEN TAKING PLACE FOR SIX YEARS. AT THE BEGINNING OF THE PROCESS, CHINA WAS NOT VERY CONSCIOUS OF THE KIND OF CHANGES THAT THE POLICY WOULD BRING ABOUT. CHINA LIBERALIZED AGRICULTURAL POLICY BIT BY BIT. IT WAS ONLY IN 1983, WHEN THE RESPONSIBILITY SYSTEM WAS ADOPTED THROUGHOUT THE AGRICULTURE SECTION (WITH REMUNERATION RELATED TO HOUSEHOLD PRODUCTION) THAT THE EFFECTS COULD BE SEEN CLEARLY. ORIGINALLY, THE RESPONSIBILITY SYSTEM HAD BEEN USED ONLY IN AREAS WHERE ECONOMIC CONDITIONS WERE DIFFICULT. THERE WAS A SCARCITY OF FOOD SUPPLIES IN THOSE AREAS ALREADY, SO THE CHANGE COULD NOT HAVE MADE THINGS WORSE. ONLY ONE HUNDRED MILLION PEOPLE WERE AFFECTED INITIALLY.

6. FOLLOWING ITS DRAMATIC SUCCESS IN THOSE AREAS, THE RESPONSIBILITY SYSTEM WAS INTRODUCED IN OTHER PARTS OF THE COUNTRY. IT WAS ADOPTED BY THE PEASANTS THEMSELVES, WHO SAW IT WAS A GOOD SYSTEM. SOME PEOPLE, HOWEVER, ASKED HOW THE RESPONSIBILITY SYSTEM DIFFERED FROM THE SYSTEM CHINA HAD IMMEDIATELY AFTER THE LAND REFORM PROGRAM WAS ADOPTED AFTER 1949. WHY WAS PRODUCTIVITY HIGHER? YAO SAID THAT IN HIS OPINION THE HIGHER PRODUCTION WAS NOT EXCLUSIVELY THE RESULT OF THE RESPONSIBILITY SYSTEM. SUCCESS ALSO HAD A LOT TO DO WITH CHINA'S INVESTMENTS IN THE INTERVENING THREE DECADES. IN THE PAST, THERE HAD BEEN A LACK OF FERTILIZER, LACK OF GOOD STRAINS OF SEEDS, LACK OF IRRIGATION AND WATER CONSERVATION PROJECTS AS WELL AS A LACK OF FARM IMPLEMENTS. NOW

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CONDITIONS ARE MUCH BETTER. THE REASON WHY IN THE PAST DECADES THESE INVESTMENTS HAD YIELDED NO SIGNIFICANT RESULTS WAS DUE TO THE SYSTEM OF PRODUCTION RELATIONS -- THE SYSTEM OF PEOPLE'S COMMUNES RESTRICTED THE INITIATIVE OF THE PEOPLE. AFTER ADOPTION OF THE RESPONSIBILITY SYSTEM, THE INITIATIVE OF THE PEASANTS WAS UNFETTERED. THIS INITIATIVE, BUILDING ON THE EARLIER INVESTMENTS IN FERTILIZER, WATER CONSERVATION PROJECTS, NEW STRAINS OF SEEDS, SCIENTIFIC FARMING METHODS, AND FARM IMPLEMENTS HAS GREATLY ENHANCED THE FORCES OF PRODUCTION.

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7. THE SECOND POINT IS THAT CHINA HAS NOW BECOME SELF-SUFFICIENT IN FOOD GRAINS. CHINA HAS A SMALL SURPLUS, AND HAS EVEN MADE SOME EXPORTS. BUT THIS SURPLUS WILL ONLY BE TEMPORARY. THAT IS BECAUSE CHINA IS STILL PRODUCING ONLY ABOUT 400 KILOS OF GRAIN PER CAPITA. IF CHINA LOOKS AT ADVANCED COUNTRIES AND COMPARES THE LEVEL OF GRAIN CONSUMED PER CAPITA, THEN THE PRESENT LEVEL OF PRODUCTION IN CHINA IS NOT ENOUGH TO IMPROVE THE LIFE OF THE PEOPLE, AND INCREASE THEIR INTAKE OF ANIMAL PROTEINS. TODAY'S SURPLUS IS A SURPLUS AT A LOW LEVEL OF CONSUMPTION. THIS PHENOMENON WILL DISAPPEAR IN A FEW YEARS. PEOPLE SHOULD NOT THINK THAT CHINA HAS BECOME A LONG-TERM GRAIN EXPORTER.

8. THIRD, CHINA'S AGRICULTURE IS IN THE MIDST OF AN ADJUSTMENT PROCESS. IN THE FUTURE, AREAS SUITABLE FOR GRAIN WILL BE DEVOTED TO GRAIN. AREAS SUITABLE FOR FORESTRY, WILL BE DEVOTED TO FORESTRY. LIKEWISE WITH CATTLE PRODUCTION. THIS PROCESS OF ADJUSTMENT WILL TAKE A FEW MORE YEARS. DURING THIS READJUSTMENT PERIOD THE GROWTH RATE OF GRAIN PRODUCTION WILL SLOW DOWN, WHILE THE PRODUCTION OF OTHER AGRICULTURAL COMMODITIES WILL INCREASE.

9. FOURTH, IN TERMS OF THE LABOR FORCE ENGAGED IN AGRICULTURE, IN PROPORTION TO TOTAL AVAILABLE ACREAGE, THERE IS A LARGE LABOR SURPLUS. EVEN UNDER THE PRESENT CONDITIONS, WHEN DEVELOPMENT OF THE FORCES OF PRODUCTION STANDS AT A RELATIVELY LOW LEVEL, WITH LITTLE MECHANIZATION INVOLVED, FULLY A THIRD OF THE AGRICULTURAL WORK FORCE IS SURPLUS. IN THE PAST, PEOPLE DID NOT SEE THIS SURPLUS. NOW PEOPLE ARE WORKING FOR THEMSELVES. THEY ARE WORKING HARDER, AND THE LABOR SURPLUS IS THEREFORE MORE NOTICEABLE. THAT IS WHY CHINA HAS TRIED TO SET UP SMALL SIDELINE PRODUCTION UNITS IN RURAL AREAS. IN SOME PLACES, THESE SMALL PRODUCTION UNITS ARE DEVOTED TO MINING. AMBASSADOR HUMMEL, WHO HAS VISITED SHANXI, KNOWS THAT THE EFFORTS THERE ARE CONCENTRATED ON COAL PRODUCTION. ALMOST EVERY VILLAGE HAS OPENED A COAL PIT OR TWO. EVERY PEASANT IS A MINER. THAT IS ONE REASON WHY THE ARE GETTING BETTER OFF FASTER IN SHANXI.

10. THIS HAS BROUGHT ABOUT GREAT CHANGES. IN THE PAST, COAL WAS IN SHORT SUPPLY; NOW, THE SCARCITY IS NOT SO SERIOUS. THIS HAS CREATED CONDITIONS FOR DEVELOPMENT OF INDUSTRY. OF COURSE, THE RECOVERY RATE IN THESE SMALL OPERATIONS IS MUCH LOWER THAN IT IS UNDER HIGHER MECHANIZATION, BUT CHINA IS RICH IN COAL. THERE IS NO WAY TO SAY WHAT THE DEMANDS FOR COAL WILL BE IN ONE HUNDRED TO TWO HUNDRED YEARS. THEREFORE, EVEN THOUGH THE RECOVERY RATE IS LOW (AND THERE IS SOME WASTE) THIS IS NOT A SERIOUS PROBLEM.

11. GENERALLY SPEAKING, THE PEASANTS LIVING IN THE RURAL AREAS ARE STILL NOT WELL OFF. ALTHOUGH SOME HAVE BECOME RICHER, THESE ARE THE ONES WITH SKILLS, GOOD EDUCATION, AND BETTER CAPABILITIES. THE GREAT MAJORITY ARE NOT SO WELL OFF, YAO STRESSED.

12. UNDER SECRETARY ARMACOST THANKED YAO FOR THE BRIEFING AND SAID HE WAS LOOKING FORWARD TO HIS MARCH 19 VISIT TO A PRODUCTION UNIT OUTSIDE BEIJING

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TO SEE THE AGRICULTURAL REFORMS IN PRACTICE. HE ASKED HOW THE UNITED STATES COULD BE HELPFUL TO CHINA'S PROCESS OF MODERNIZATION. HE HAD FIRST MET ARMAND HAMMER DURING HIS TIME AS AMBASSADOR IN MANILA, AND UNDERSTOOD THAT HAMMER WAS INVOLVED IN THE COAL BUSINESS IN CHINA. UNITED STATES BUSINESS WAS ALSO INTERESTED IN SUCH AREAS AS COMPUTERS. HE ASKED WHAT KIND OF ROLE THE UNITED STATES WOULD BE ABLE TO PLAY.

13. YAO REPLIED THAT IN HIS VIEW THE U.S. HAD A VERY IMPORTANT ROLE TO PLAY. CHINA'S DOMESTIC MARKET IS BEING EXPANDED DRAMATICALLY. RIGHT NOW THE DOMESTIC MARKET'S CAPACITY IS SMALL, BUT THAT CAPACITY IS BEING ENLARGED. ALTHOUGH PER CAPITA CONSUMPTION IS LOW, THE AGGREGATE IS A VERY LARGE FIGURE AND EXPANDING VERY FAST. CHINA'S INDUSTRY IS RATHER BACKWARDS, BOTH IN TECHNOLOGY AND IN MANAGEMENT OF PRODUCTION. SO IN THIS SENSE THERE IS MUCH THAT CHINA AND THE UNITED STATES CAN DO TO COOPERATE WITH EACH OTHER. CHINA NEEDS TECHNOLOGY,

EQUIPMENT, AND SKILLED PEOPLE, BUT CHINA'S ABILITY TO PAY IS LIMITED. THIS HAS RESTRAINED THE SCALE OF COOPERATION, AND THAT IS THE MAIN DIFFICULTY THAT CHINA HAS CONFRONTED.

14. UNDER SECRETARY ARMACOST SAID HE WAS GLAD TO HEAR FROM YAO THAT THE MARKET SYSTEM WORKS. HE NOTED THAT HE WAS INTRIGUED BY YAO'S COMMENTS THAT CHINA'S GRAIN SURPLUS WAS A TEMPORARY PHENOMENON. SOME AMERICAN EXPORTERS WERE WORRIED ABOUT CHINA'S AGRICULTURAL EXPORTS. OUR VIEW WAS THAT COMPETITION IS GOOD, BOTH FOR INDUSTRY AND FARMERS. WE WELCOME IT FROM CHINA, ALTHOUGH WE WILL WANT TO MAKE SURE THAT BENEFITS ARE RECIPROCAL. WE THEREFORE LOOK FORWARD TO COMPETITION FROM CHINA RESULTING FROM THE PRESENT REFORMS, NOT ONLY IN AGRICULTURE BUT IN OTHER FIELDS AS WELL.

15. YAO REPLIED THAT COMPETITION IS GOOD, BUT COMPETITION BETWEEN CHINA AND THE UNITED STATES WILL NOT BE A COMMON THING. IF THERE IS COMPETITION IN THE AGRICULTURAL AREA, IT WILL BE IN THE AREA OF COTTON PRODUCTION. CHINA HAS A GOOD POTENTIAL FOR MORE COTTON PRODUCTION, BUT RIGHT NOW CHINA IS TRYING TO LIMIT PRODUCTION IN VARIOUS WAYS. IF WE DID NOT, HE SAID, COTTON PRODUCTION WOULD DEVELOP EVERYWHERE, AS CHINA HAS MANY AREAS SUITABLE FOR COTTON PRODUCTION.

16. UNDER SECRETARY ARMACOST SAID HE HAD NOTED THAT CHINA MIGHT ALSO BE COMPETING WITH THE U.S. IN SOYBEANS AND CORN. YAO REPLIED THAT HE THOUGHT THIS WOULD ONLY BE TEMPORARY. AS ANIMAL HUSBANDRY DEVELOPS, CHINA WILL HAVE TO USE MORE CORN DOMESTICALLY, SO COMPETITION IN CORN WILL NOT BE A MAJOR FACTOR. UNDER SECRETARY ARMACOST COMMENTED THAT THERE WERE BIG ADVANTAGES TO HAVING LARGE DOMESTIC MARKETS. IN THE PAST TEN OR FIFTEEN YEARS, HOWEVER, BUSINESSMEN IN THE UNITED STATES HAD BEGUN TO PAY GREATER AND GREATER ATTENTION TO FOREIGN MARKETS. THE U.S. IS MORE AND MORE ACTIVE IN THE FOREIGN TRADE AREA. AND THIS IS WHY MORE

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AMERICAN FIRMS ARE INTERESTED IN THE CHINA MARKET.

17. YAO SAID THAT CHINA WELCOMES AMERICAN INVESTMENT IN CHINA. IF AMERICAN INVESTORS GIVE CHINA HIGH-LEVEL TECHNOLOGY, CHINA WILL IN TURN GIVE THESE FIRMS GREATER ACCESS TO CHINA'S DOMESTIC MARKET. IF ON THE OTHER HAND THE TECHNOLOGY TRANSFERRED IS NOT LEADING TECHNOLOGY, CHINA WILL INTRODUCE RESTRAINTS AND LIMITATIONS ON ACCESS TO THE DOMESTIC MARKET. CHINA'S PRINCIPLE IS MARKET ACCESS IN EXCHANGE FOR TECHNOLOGY. THIS WILL APPLY TO EXCHANGES WITH THE UNITED STATES, JAPAN, AND WESTERN EUROPE. HE CITED THE EXAMPLE OF KODAK PAPER PROCESSING IN FUJIAN PROVINCE, SAYING THAT AFTER LOOKING AT KODAK, FUJII, AND AGFA, CHINA HAD CONCLUDED THAT

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THE TERMS OFFERED BY KODAK WERE BETTER. IN THIS REGARD, YAO CONCLUDED, CHINA TAKES AN UNBIASED VIEW; CHINA LOOKS AT THIS COMPETITION IN THE CONTEXT OF CHINESE NEEDS.

18. UNDER SECRETARY ARMACOST ASKED WHETHER CHINA PLANNED TO ALLOW ONLY ONE FOREIGN FIRM IN EACH AREA TO COME INTO THE CHINESE MARKET, OR WHETHER SEVERAL FOREIGN JOINT VENTURES WOULD BE ALLOWED TO COMPETE WITH EACH OTHER IN THE CHINA MARKET. YAO REPLIED THAT IN MAKING USE OF FOREIGN FUNDS, CHINA DOES NOT CONFINE ITS MARKET TO ONE COUNTRY. WHEN THE TERMS OFFERED BY OTHER FOREIGN FIRMS ARE SUITABLE, CHINA WILL MAKE USE OF THEIR INVESTMENT AS WELL. CHINA WILL NOT LIMIT ITSELF TO ONE FOREIGN SOURCE, EITHER, AS THE CHINA MARKET IS TOO LARGE.

19. UNDER SECRETARY ARMACOST SAID THAT HE HAD HEARD THAT YAO MIGHT BE VISITING THE SOVIET UNION IN THE SPRING. HE SAID HE WAS FAMILIAR WITH CHINA'S POLICY IN RELATING IMPROVEMENT IN POLITICAL RELATIONS TO SOVIET ACTIONS ON THE THREE OBSTACLES. THE U.S. HAS SEEN SOME EVOLUTION IN CHINA'S POLICY, AND HAS NOTED A HINT OF FUTURE CHANGES IN THE POLICY WITH REGARD TO PARTY-TO-PARTY RELATIONS. HE ASKED YAO WHAT FUTURE STEPS MIGHT EVOLVE, AND HOW HE SAW THE RELATIONSHIP GOING. YAO REPLIED THAT SINO-SOVIET TRADE RELATIONS AND ECONOMIC CONTACTS HAVE PROGRESSED SINCE LAST YEAR. THE REASON IS THAT THIS CONFORMS TO THE NEEDS OF BOTH COUNTRIES. CHINA HAS A LONG COMMON BORDER WITH THE SOVIET UNION, AND IT IS CONVENIENT TO TRANSPORT GOODS TO THE SOVIET FAR EAST BY RAIL THROUGH MONGOLIA OR THROUGH OTHER POINTS. EXPORTS THROUGH PORTS SUCH AS DALIAN TO VLADIVOSTOK ARE ALSO CONVENIENT. THE ROUTES ARE FAIRLY CLOSE. THE OTHER MAIN REASON FOR GROWTH OF TRADE IS THAT THE COMMODITIES THE TWO COUNTRIES SUPPLY EACH OTHER ARE RELATIVELY COMPLEMENTARY. THE SOVIETS NEED COTTON CLOTH, TEXTILES, AND LIGHT INDUSTRIAL PRODUCTS, AND FOOD SUPPLIES FOR THE SOVIET EASTERN REGION. CHINA CAN SUPPLY THESE. THE SOVIETS CAN SUPPLY LUMBER AND MACHINERY. THEREFORE, IN VIEW OF THIS FACTOR, TRADE WILL CONTINUE TO GROW.

20. ON THE POLITICAL LEVEL, YAO SAID THAT CHINA DID NOT SEE SIGNS INDICATING VISIBLE PROGRESS

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BETWEEN THE TWO SIDES. CHINA HAS AN INDEPENDENT FOREIGN POLICY. THE SOVIETS DO NOT WANT TO SEE AN INDEPENDENT POLICY BEING PURSUED BY CHINA. THEY WANT CHINA TO BE PART OF A "BIG FAMILY" AS IT WAS IN THE 1950'S. THIS IS UNACCEPTABLE TO CHINA. CHINA HAS MADE IT CLEAR TO THE SOVIETS THAT THE THREE OBSTACLES CONTINUE TO EXIST. THE SOVIETS HAVE NOT INDICATED A WILLINGNESS TO DISCUSS THEM. SO POLITICALLY CHINA HAS NOT SEEN SIGNS INDICATING VISIBLE PROGRESS. AS FOR PARTY-TO-PARTY CONTACTS, CHINA HAS NO SUCH CONTACTS AND DOES NOT PLAN TO ESTABLISH THEM. YAO SAID HE PLANNED TO GO TO THE SOVIET UNION IN THE SUMMER OF 1985, AS IT LOOKS AS IF THE TWO SIDES WILL CONCLUDE A LONG-TERM TRADE AGREEMENT. IF THE NEGOTIATIONS ON THE AMOUNT OF TRADE PROVE SUCCESSFUL, HE WILL ATTEND. IF NOTHING COMES OUT OF THESE NEGOTIATIONS, THEN HE MIGHT NOT VISIT. AS OF THIS POINT, HE SAID CHINA COULD NOT SAY THAT THE NEGOTIATIONS WOULD DEFINITELY ACHIEVE SUCCESS. THE SOVIETS HAVE NOT YET REPLIED TO SOME QUESTIONS CHINA HAS PUT TO THEM.

21. UNDER SECRETARY ARMACOST SAID HE UNDERSTOOD THAT STATE-TO-STATE RELATIONS WOULD CONTINUE TO EXPAND, AND ASKED WHETHER WE SHOULD ASSUME THAT ECONOMIC RELATIONS WOULD BE ALLOWED TO EXPAND WITHOUT REFERENCE TO POLITICAL ISSUES. YAO REPLIED THAT POLITICAL AND ECONOMIC RELATIONS COULD BE SEPARATED TO AN APPROPRIATE DEGREE, BUT COULD NOT BE COMPLETELY SEPARATED. CHINA IS NOT INTENTIONALLY

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PUTTING OBSTACLES IN THE DEVELOPMENT OF ECONOMIC RELATIONS, BUT IF THERE IS NO PROGRESS ON THE POLITICAL ISSUES, THEN THERE WILL HAVE TO BE LIMITS ON THE DEVELOPMENT OF ECONOMIC RELATIONS.

22. TURNING TO BILATERAL U.S.-PRC MATTERS, UNDER SECRETARY ARMACOST COMMENTED THAT HE UNDERSTOOD THERE WERE BILATERAL TRADE PROBLEMS IN SUCH AREAS AS TEXTILES AND CIVIL AVIATION, BUT THAT THESE ISSUES WERE BEING WORKED ON BY OUR TWO SIDES. YAO REPLIED THAT TWO-WAY TRADE HAS MADE MUCH PROGRESS, AND THERE ARE GOOD PROSPECTS FOR FURTHER GROWTH. THERE ALSO EXIST SOME OBSTACLES WHICH CALL FOR JOINT EFFORT IF THEY ARE TO BE OVERCOME. IT SHOULD BE EXPECTED THAT THERE WILL BE OBSTACLES IN TRADING RELATIONS, AND THROUGH CONSULTATIONS WE CAN HOPE TO MAKE PROGRESS IN RESOLVING THEM. UNDER SECRETARY ARMACOST SAID THAT THERE WOULD BE MANY OPPORTUNITIES FOR SUCH CONSULTATIONS IN COMING MONTHS, AS HE UNDERSTOOD WE WOULD SOON BE HAVING MEETINGS OF COMMERCE, TREASURY, AND SENIOR SCIENCE AND TECHNOLOGY OFFICIALS. HE ADDED THAT PRESIDENT LI XIANNIAN'S JULY VISIT TO THE UNITED STATES MAY GIVE US SOME DEADLINES TO WORK AGAINST IN SOME TRADE AREAS. YAO SMILED AND REPLIED THAT PRESIDENT LI'S VISIT WOULD "PROMOTE OUR WORK." UNDER SECRETARY ARMACOST THANKED YAO FOR THE MEETING, AND SAID THE UNITED STATES LOOKED FORWARD TO WORKING WITH CHINA ON THESE ISSUES.

23. ATTENDING: U.S. SIDE: UNDER SECRETARY ARMACOST, AMBASSADOR HUMMEL, DCM HOROWITZ, EXECUTIVE ASSISTANT

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PENDLETON, POLCOUNS JOHNSON, POLOFF JOHNSON (NOTE-
TAKER), ECONOFF SPELMAN (NOTETAKER), INTERPRETER
BROWN. CHINESE SIDE: VICE PREMIER YAO YILIN,
AMBASSADOR-DESIGNATE HAN XU, AMERICAN AND OCEANIAN
AFFAIRS DEPARTMENT DIRECTOR ZHANG WENPU, USA DIVISION
DIRECTOR NI YAOLI, USA DEPUTY DIVISION OFFICERS
HUMMEL
END OF MESSAGE

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